Castle & Cooke, Inc.

Annual Report for the Year Ended April 30, 1965

BUMBLE BEE
ALASKA SOCKEYE
RED SALMON
BUMBLE BEE
SOLID WHITE TUNA
Royal Hawaiian
Macadamia Nuts
ONE DOZ. 6 OZ. TINS
CODE 704
Royal Hawaiian
Macadamia Nuts
CH
sugar
granulated
BUMBLE BEE BRAND
ALASKA SOCKEYE
RED SALMON
BUMBLE BEE BRAND
48 HALVES
FANCY
SOLID WHITE TUNA
TROPIPAC
SLICED PINEAPPLE
24-NO. 2½ CANS
101
Dole
HAWAIIAN PINEAPPLE
SLICED PINEAPPLE
Dole
Hawaiian
SLICED PINEAPPLE
Dole
Hawaiian
PINEAPPLE JUICE
cabana
BANANAS

The Year In Brief

EARNINGS Consolidated net operating income was $8,159,931 for the year ended April 30, 1965, or $3.20 per share. In the prior year net earnings were $7,800,619, or $3.06 (adjusted). In addition there was a non-recurring capital gain of $9,234,928 resulting from the sale of Matson Navigation Company stock in 1964-65.

REVENUES Consolidated revenues were $182,384,976, compared with $185,501,652 the year before.

DOLE Although earnings were down from the high levels of the prior year, results for the year were excellent. Dollar sales declined slightly from the record set the year before, but a new company record was set in terms of total cases sold and of Dole-label products sold.

BUMBLE BEE Sales set a new record for the ninth consecutive year and earnings were the third highest in the company's 65-year history.

SUGAR OPERATIONS The unprecedented high sugar prices of the prior year declined drastically in 1964-65, reducing earnings from sugar operations, but all three affiliated plantation companies were profitable.

STANDARD FRUIT The minority interest in Matson Navigation Company was sold and a controlling interest purchased in Standard Fruit & Steamship Company of New Orleans, one of the world's largest producers and shippers of bananas.

DIVIDENDS For the 1964-65 year, Castle & Cooke, Inc., paid a regular cash dividend of $1.40 per share, a year-end extra of 10 cents together with a year-end stock dividend of 10 per cent.

The corrugated box is the common denominator of all Castle & Cooke food products. Thus the inspiration for this year's cover design. In a 12-month period the company's products filled 49,608,278 packing cases.

Letter To Stockholders:

For the fiscal year ended April 30, 1965, consolidated operating results of Castle & Cooke, Inc., and its subsidiaries were excellent and exceeded earlier projections.

Consolidated net operating income was $8,159,931, or $3.20 per share of the capital stock. In the prior year, net income was $7,800,619, or $3.06 per share, adjusted for the larger number of shares outstanding as a result of the stock dividend paid for the last quarter of the 1964-65 year.

In addition to these operating results, there was a nonrecurring capital gain of $9,234,928, net after payment of capital gains taxes, resulting from the sale during the year of our stock in Matson Navigation Company. This gain is shown separately in the income statement.

Consolidated revenues in the year just ended were $182,384,976, a decrease from the $185,501,652 reported in the prior year, due largely to a reduction in sugar and stevedoring revenues. Castle & Cooke's pro-rata share of sales and related cost of sales in Standard Fruit and Steamship Company are not included in this year's revenues because the acquisition was not made early enough in Castle & Cooke's accounting period. Castle & Cooke's share of Standard's earnings, however, is reported as a separate item.

Reflecting the continuing satisfactory results of Castle & Cooke, the Directors for the year declared a regular cash dividend of $1.40 per share on the capital stock, a year-end extra cash dividend of 10 cents per share, and a year-end stock dividend of 10 per cent. In the prior year, the company paid a regular dividend of $1.20 in cash and a year-end cash extra of 30 cents per share.

Operating results for the 1964-65 year exceeded the projections we had made and announced earlier in the fiscal year. The principal contributor to this improved outcome was the Dole Company division, and the reasons were threefold. First was the cumulative effect of Dole's selling a record-high volume of canned pineapple and the effect of lower than estimated operating costs as the year drew to a close. Second, severe weather damage to the Pacific Coast crop of pears in the spring months caused the prices of fruit cocktail to strengthen from their excessively low levels earlier in the year and case movement was thus stimulated. Third, unusually cool spring weather in Hawaii delayed the ripening of certain pineapple fields scheduled for harvest before the end of the fiscal year, thus reducing harvesting and processing costs which had been projected for the period. These costs, however, moved into the new fiscal year when the fields were finally harvested.

Dole's year generally was good, and though its earnings receded from the unusually high level of the prior fiscal period, its results were accomplished in the face of more competitive marketing conditions than prevailed during the preceding year. Its sales were the highest in its history in terms of total cases sold and of Dole-label products sold, although dollar sales were down slightly from the year before.

Progress was made in the development of Dole's new pine-

apple operation on the Island of Mindanao in the Philippines. This major project, ultimately costing an estimated $27-million, includes the incremental planting of fields that will eventually add approximately one-third to the division's present pineapple tonnage, the construction of the world's most modern pineapple cannery, development of port facilities, a new community and various other supporting facilities. The first production at Mindanao will be packed in the summer of 1965 and will increase annually until full production is achieved in 1968. This venture will enable Dole to compete more effectively in the U. S. and European markets and to develop new markets for pineapple in nations where that fruit is not now an important grocery item.

The Bumble Bee division turned in an outstanding performance, reporting the third highest earnings in its 65-year history and setting another sales record for the ninth consecutive year. Production both of tuna and salmon reached record levels, and these products, together with the other items in the Bumble Bee line, were marketed effectively in the marketing areas where Bumble Bee has long enjoyed the reputation for canned seafood products of the highest quality.

As the stockholders will recall, sugar prices advanced in the 1963-64 year to unprecedented levels and these, combined with a record Hawaiian sugar production, enabled the Island sugar industry to experience the best year in its history. The three sugar plantation companies controlled by Castle & Cooke shared in this unusual development, but their unique good fortune was short-lived. Even more rapidly than prices had soared in 1963-64 they plunged in 1964-65 as it became apparent that the year's world sugar crop would be a record one. Returns from the refinery to the plantations dropped to $127 per ton from the $150 per ton the year before, thus Castle & Cooke's earnings from sugar for the year ended April 30, 1965, were substantially below those of the prior year. Nevertheless, our Ewa, Waialua and Kohala plantations turned in excellent tonnage performances and all were profitable. Although one cannot predict with any precision the vagaries of the sugar market, we are hopeful of somewhat better prices in the year ahead.

The Royal Hawaiian Macadamia Nut division was not profitable but it made substantial progress in reducing the loss of the prior year and in improving its operations. It is projected to show a profit in the new year.

Oceanic Properties, Inc., our land development and management subsidiary, moved forward with the varied projects in which it is now committed. Oceanic is still a new operation and has not yet become profitable, but its results were near break-even in spite of heavy start-up and planning expenses on its developments. It could have had a profitable year, however, had it been able to reflect in the 1964-65 year the profits which have already accrued in the two Philippine memorial parks in which it is a co-venturer.

These and other developments are reported in greater detail in the operations section of the annual report, which follows.

An important development during the year was the sale of our interest in Matson Navigation Company and our acquisition of a 55 per cent interest in Standard Fruit and Steamship Company of New Orleans.

Our stock interest in Matson had been of long duration, but

in recent years we had concluded that the interests of this company would be better served if we could dispose of our Matson stock if it could be done to responsible buyers at a price reflecting Matson's true asset value. And although we had already reached this decision, the problem was further intensified when the U. S. Department of Justice filed suit to force Castle & Cooke and other corporate owners of Matson to divest themselves of their stock. In August, 1964, we sold our 24 per cent minority interest to Alexander & Baldwin, Inc., of Honolulu, and the suit was dismissed.

For some time prior to this sale we had become increasingly interested in the opportunity to acquire a controlling interest in Standard Fruit from the founding D'Antoni family and their associates. One of the world's largest producers and marketers of bananas, Standard Fruit is long-established, it is a leader in the banana industry and it has an aggressive, young and able management. It shares with Castle & Cooke a common base in the food industry and in the products of semi-tropical and tropical agriculture, businesses that both companies know well. It offered Castle & Cooke the opportunity to convert a minority investment in Matson to a majority interest in a company which could make a larger contribution to Castle & Cooke's earnings.

We purchased 560,571 shares of Standard Fruit at a total cost of $14,602,912, and these shares at year's end represented a 55.3 per cent common stock interest in Standard. Our share of Standard's earnings subsequent to acquisition is reported as a separate item in the statement of consolidated income for the 1964-65 year.

Also during the year just past we sold the Blackhawk Ranch, near San Francisco, for a price of $3,173,683, representing a total gain of $2,035,422 on this investment. The purchase price is to be paid by the buyer in installments over a period of five years or less, and the applicable portion of the first year's installment is included in this year's gain on disposal of capital assets.

We record with regret the death in December, 1964, of J. Howard Worrall. Mr. Worrall had been a Director of Castle & Cooke since 1961 and of Dole since 1941.

We wish to express the gratitude of the Directors and managements of Castle & Cooke and its associated companies to the employees for their fine performance and loyalty during the year.

A G Budge
A. G. Budge
Chairman of the Board

Malcolm MacNaughton
Malcolm MacNaughton
President

Honolulu, Hawaii
July 2, 1965

Subject to governmental approval, Castle & Cooke's headquarters for the past 40 years will soon be razed to make way for new "financial plaza" in downtown Honolulu. Company will occupy top three floors of tallest structure, shown in model at right.

CASTLE & COOKE OPERATIONS

STANDARD FRUIT AND STEAMSHIP CO.

Standard Fruit and Steamship Company of New Orleans, in which Castle & Cooke acquired a majority stock interest in 1964, is one of the world's largest producers and marketers of bananas.

Established near the turn of the century, Standard has grown considerably in size and stature, and has gained a reputation for technical leadership and the pioneering of new developments in the banana industry.

During the 1940's, Standard introduced the first shipments of the Cavendish variety of bananas on the North American market. All of Standard's own plantations in Honduras and Costa Rica now grow this variety and shipments of Cavendish by other banana importers have been increasing rapidly.

In 1959, Standard introduced the first shipments of plantation-boxed bananas into the North American market. Boxing was developed on Standard's own plantations in Central America, but the boxed fruit is now also obtained from independent farmers in Ecuador where the company purchases substantial quantities of fruit annually. Again, other importers have followed the company's lead. Today, more than 95 per cent of North American banana imports have been packed in corrugated cartons at the tropical plantations.

Low-flying plane sprays Honduras banana trees. In background, streams of water play on grove.

During these years of development and change the industry has become increasingly competitive. Along with the technical changes, Standard has been striving for a high degree of efficiency and for cost control to meet competitive pressure. The Standard Fruit fleet of chartered refrigerated vessels, necessary to ship more than 20 million boxes of bananas to market annually, is the newest and most modern in the banana industry with an average age of only two and a half years. Standard's U. S. unloading terminals have been modernized and, in Long Beach, Calif., a completely new terminal was opened in early 1965.

The company maintains 30 sales offices throughout the U. S. and Canada. Additional offices were established during 1964 and early 1965 and intensified sales training programs and seminars were initiated to gear the organization to handle the increased volume being sold by the company. Standard's bananas are now marketed through virtually all major supermarket chain and jobber processing plants in the nation. For the first time since World War II Standard in 1964 began importing bananas into Europe on a regular basis. Initial shipments were in limited quantities but volumes are gradually being expanded.

Standard reports on a calendar year basis, and in 1964 reported net earnings of $3,537,064 on sales of $84,569,442. In 1963, the company had sales of $69,763,229 and net earnings of $2,364,075.

Developments since the close of Standard's fiscal year include the following:

A five-week strike of all longshoremen in East and Gulf ports occurred in January and February. During this strike Standard's shipping schedules were disrupted as discharges had to be made in various ports where legal means could be found to save the highly perishable banana cargoes. The disrupted marketing pattern preceding, during and immediately following the strike resulted in much lower unit revenues than those for the previous year. While the wholesale banana business has now recovered from the effects of the strike, competitive pressures remain strong and the price level is still below 1964.

Productivity in its Central American divisions continues at a normal rate. Total company importations were curtailed somewhat during the longshore strike, but none of the Central American production was lost.

As Standard reported in its 1964 annual report, copies of which were sent to Castle & Cooke stockholders:

"The U. S. wholesale banana market has been extremely competitive for the past two years and there is no reason to believe that these competitive pressures will be reduced during the coming year. Standard has been able to operate profitably as a result of its industry leadership in product development and cost control. Continued emphasis on these positive programs is being made to assure the company of operating strength to meet future competitive challenges."

In November, 1964, Donald J. Kirchhoff, formerly Executive Vice President, was elected President and Chief Executive Officer. Dr. Joseph S. D'Antoni, formerly Chairman of the Board and President, remained as Chairman of the Board.

The stem of bananas, long a grocery store fixture, has all but disappeared. Standard Fruit pioneered in boxing bananas.


Bananas are ripened on a tight schedule of time, temperature, and humidity, guaranteeing firm, yellow fruit for customers.

Bananas — New in the Picture of Castle & Cooke

A stem of bananas starts with a purple bud, here shown magnified in scale. Note tiny "fingers" emerging at upper right.

As the fingers gradually mature, they turn upwards toward the sun. Each finger has a small flower located at the tip end.

The dappled green world of the banana. "Backer" at right carries stem from grove. Pole at left supports banana plant.

Here "hands" of bananas are cut from stems, plunged into bath before packing. Final day of harvest is carefully calculated.

Standard's banana boats are most modern in industry. Ten ships compose the fleet and have an average age of only two years.

DOLE COMPANY DIVISION

The Dole Company division, largest unit in Castle & Cooke, had a good year. Although earnings were down from the high level of the prior fiscal period, the satisfactory results of 1964-65 were achieved in spite of difficult marketing conditions not present the year before.

Again exceeding $100-million, Dole's sales were down slightly from the prior year's in terms of dollars, but were highest in history in terms of total cases sold and in volume of Dole-label products sold.

Dole's performance, in fact, surpassed earlier projections for the fiscal year, due principally to three factors: The division attained record sales of canned pineapple at lower than estimated costs; in the last part of the fiscal year, fruit cocktail prices firmed up, stimulating increased volume; and unusually cool spring weather delayed ripening of pineapple fields scheduled for harvest in the last month of the fiscal year, thus reducing harvesting and processing costs.

Dole's aggressive marketing program was suc-

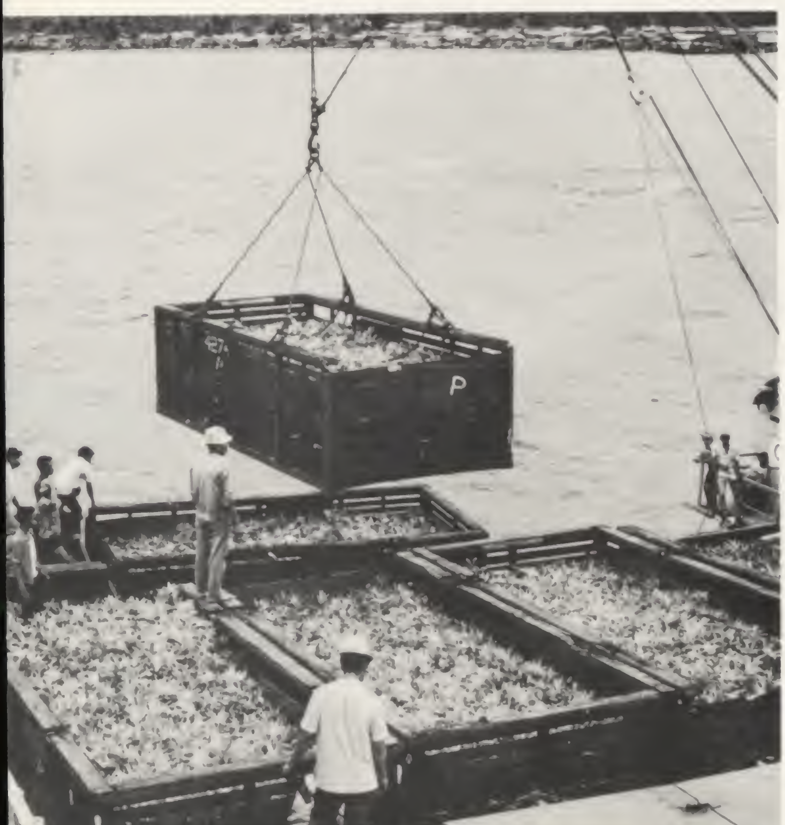
Dole is developing a large business in fresh pineapple. Women gentle-pack field-ripened fruit under Royal Hawaiian label.

The most modern pineapple cannery in the world is now nearing completion in the Philippines. First fruit will be canned in August. Note handy relationship of the cannery to the pineapple acreage. Dole has also built new pier and warehouse at nearby harbor.

cessful in the face of severe competitive conditions. California cling peaches, a commodity chronically overproduced for some years, adversely affected the canned fruit market to the greatest extent in history. This resulted in chaotic pricing and marketing conditions which exerted pressure on pineapple and all other fruit products packed by Dole.

The Florida citrus industry returned to normal production placing strong competitive pressure on all other juices, including Dole's pineapple and blended pineapple-citrus juices. The year also witnessed increasing imports of cheap foreign-produced canned pineapple into the U. S., and marketing problems were further intensified when a major brand competitor made drastic moves in an attempt to regain its prior share of the U. S. pineapple market.

As the new fiscal year begins, it appears that some of the same marketing problems will continue to be present. Another record crop of cling peaches is indicated and the production of Florida orange juice continues to increase. However, unfavorable weather has sharply reduced this year's crop of Pacific Coast pears, an important ingredient in fruit cocktail, and indications are for firmer fruit cocktail prices and a pack more nearly in line with demand than was last year's.



Pineapple slips, removed from mother plants in Hawaii, are unloaded in Philippines. Fields will be expanded to 7,500 acres.

Dole has continued to make substantial progress in its program to strengthen its production and marketing positions. The most significant of these is the new pineapple operation on the Island of Mindanao in the Philippines, which begins its first production this summer and will attain full production in 1968. Dole is developing and planting the fields in increments and at the same time completing the most modern pineapple cannery in the world there, together with new port facilities and a complete community. Dole and its Philippine partners are investing about $27-million in this project, which will provide the company with lower-cost fruit to improve its competitive position in the U. S. and world markets.

The rapid growth of Dole's fresh pineapple business gives the company additional competitive strength. Marketed under the "Royal Hawaiian" brand, the fresh fruit has been received enthusiastically and experience thus far shows that the fresh fruit is building a new market of its own, and not borrowing from the company's established canned fruit business.

Several new canned and frozen pineapple-related products are being introduced or tested. Dole Low Calorie Pineapple and Fruit Cocktail were introduced in key markets during the year and initial response has been most encouraging.

Bromelain, the enzyme extracted from the pineapple plant, is a potential contributor of substance to division earnings as more uses are discovered by users all over the world.

During the year, Dole discontinued its production operations in Northern Italy. Production facilities were acquired there in 1962-63 to produce tomato products, fruits, vegetables and related items. The decision to withdraw from this venture was carefully studied and decided upon after it was concluded that a profitable market for the locally-produced items was not available. Provision for a loss of $850,000, net after taxes, was written off in the 1964-65 fiscal year.

William F. Quinn, Dole's Executive Vice President, was elected President and Chief Executive Officer during the year, succeeding Malcolm MacNaughton, who became Chairman of the Board. Dr. George E. Felton and Dan V. Phelan were elected Vice Presidents of Dole.

BUMBLE BEE SEAFOODS DIVISION

Bumble Bee Seafoods' earnings substantially exceeded those of the prior year and were the third highest in its 65-year history. Sales were up 9 per cent, establishing a new record for the ninth consecutive year.

Alaska salmon operations for the 1964 season were successful and contributed to the improved earnings. Red salmon runs in Bristol Bay were of moderate size, but excellent runs of Pink and Chum salmon were experienced in Central and Southeastern Alaska. Columbia River salmon production compared favorably with the prior year, but the catch of Sockeye salmon on Puget Sound was limited, and 1964 was an off-cycle year for Pink salmon in that fishery. The resulting packs contributed to a new Bumble Bee record for the production of canned salmon.

Tuna canning operations were favorable at Bumble Bee's canneries in Astoria and Honolulu and at its subsidiary cannery in Cambridge, Md. The combined production also set a new pack record for canned tuna.

This impressive shell-fish is the King Crab, processed in Alaska. Bumble Bee plans to expand production of this famous seafood.

The Magnificent Chinook

Fishing and processing the magnificent Chinook salmon on the Columbia River is exciting and colorful. This portrayal begins after George Johnson, third generation Bumble Bee fisherman, has laid out his gill net near Multnomah Falls.

Gill net laden with salmon is hauled in over power roller.

Johnson displays 35-pound Chinook salmon.

The day's catch is delivered to Bumble Bee's receiving scow.

Near mouth of Columbia stands Bumble Bee's cannery complex.

Above, gang knives cut salmon into steaks to fit exactly in cans.

Right, tenderloins of salmon, ultimate in quality, leave packers.

A new venture during the year was the construction of a modern King crab packing plant at Alitak on Kodiak Island, Alaska. This is in conjunction with the division's affiliated salmon packing operations at Alitak. The first season's pack was of limited size. However, the crab resource in this area is very promising and it is planned to expand canned King crab production during the current and future years.

The outlook for the forthcoming salmon season is encouraging. Predictions by the responsible research agencies indicate a substantial run of Red salmon in Bristol Bay, and it is the cycle year for Pink salmon in addition to expected large runs of Sockeye salmon on Puget Sound. Production of excellent quality Chinook salmon on the Columbia River during May was considerably ahead of the same month last year.

Production of tuna in Hawaiian waters has been excellent. Record catches were made during the month of May. The overall availability of tuna from other major producing areas is progressing satisfactorily. Installation of two additional production lines in the Astoria tuna cannery will increase the plant capacity by 30 per cent. Wage agreements for all the company's salmon and tuna packing operations have been successfully concluded for the ensuing year.

During the spring months of 1965 an extensive advertising campaign was conducted on Bumble Bee Pink salmon. It was successful in expanding distribution and accelerating the sale of this excellent-value canned salmon. The marketing practices of the company also continued to expand the distribution and consumption of Bumble Bee canned tuna in the major markets of the nation. Sales of Figaro Tuna Cat Food continued to increase. Two new varieties were introduced during the year, Figaro Chicken Cat Food and Figaro Shad Cat Food. Early sales in test markets are proving to be very satisfactory.

We acknowledge with sadness the death in October, 1964, of Robert E. Dant, a director of Bumble Bee and its predecessor companies since 1958. Wendell Wyatt, a director since 1957, resigned November 4, 1964, upon his election to the U. S. House of Representatives from Oregon's First Congressional District. During the year, H. P. Dolson, a vice president of the First National Bank of Oregon, Portland, and R. C. Macdonald, Astoria attorney, were elected to the Bumble Bee Seafoods' board of directors. Also, during the year J. J. Supple and J. R. Gilbert were elected as vice presidents of the division.

These paintings by Lorenzo Ghiglieri depict diversity of Bumble Bee fishing. Here, Hawaiians clad in blue smocks and straw hats fish skipjack tuna using the live bait and pole method.

Under the towering peaks and glaciers of the Glacier Bay section of Excursion Inlet in Alaska, the Bumble Bee fleet of purse seiners begins hauling in nets laden with Pink salmon.

More and more, overhead irrigation systems are being used to nourish cane grown by Castle & Cooke's three sugar plantations.

SUGAR

Although earnings of the three sugar plantations controlled by Castle & Cooke were down substantially compared with the unusually high levels of the prior year operations at all three were good and all were profitable.

With regard to the Hawaiian sugar industry generally, the Sugar Act domestic quota provisions remained unchanged in 1964-65 despite great pressure in Congress on behalf of the beet industry to have their quota permanently increased. Most of this proposed increase would be produced in the Western states, where California and Hawaiian Sugar Refining Corporation, through which Hawaiian sugars are all marketed, derives most of its return. Early in 1965, the combined sugar industry agreed to sponsor legislation providing for a temporary increase in the beet and mainland cane quotas, permitting these areas to reduce their presently high inventories.

During the year the industry experienced severe competition from other sweeteners, both corn sweeteners and synthetic non-caloric ones.

Although operations at Waialua Agricultural Company were hampered by one of the coolest, wettest winters on record, the plantation produced the largest sugar crop in its history from normal acreage. A total of 73,518 tons were processed. Tons of sugar per acre for the crop represented the fifth successive year that an increase in yield was achieved.

During the year, work began on a much-needed new turbo-generator and boiler complex, which when completed will cost approximately $2,650,000.

Ewa Plantation Company produced 57,338 tons of sugar, down from last year's total which was the third highest in Ewa's history. Over-all factory efficiency was high and extraction was the highest in the Hawaiian industry. Ewa continued its program of developing additional land and water resources.

Kohala Sugar Company produced 49,414 tons, the third largest sugar crop in its history. Once considered a marginal producer, Kohala is making gratifying progress toward becoming a consistently profitable and efficient operation. In the year past, plans were approved for a newer, larger boiler at a cost of $1,650,000 and studies were undertaken to expand cane land under cultivation and to develop more water.

ROYAL HAWAIIAN MACADAMIA NUT DIVISION

The Royal Hawaiian Macadamia Nut Division still was not profitable for the year, but the loss compared to the prior period was substantially reduced and the improvements made in the division's operations during the year lead us to expect that the macadamia nut business will become profitable in the year ahead.

An excellent nut crop, exceeding estimates made earlier in the year, was harvested from our 1,150-acre orchard on the Island of Hawaii, near Hilo. The continued strong market for macadamia nuts absorbed this production with resulting increases in sales of retail consumer packages under our "Royal Hawaiian" label and of the individual nut cups to major airlines for serving on their flights. Substantial increases in sales of commercial-grade macadamias were also made to ice cream, candy and bakery manufacturers.

The most significant undertaking of the division during the year was the construction and completion of a new nut processing plant at the Keaau orchard site, at a cost of approximately $400,000. The former processing plant, which was still basically a pilot installation, had been increasingly overtaxed as our nut crops grew in volume. The new plant is completely modern, containing the latest processing equipment available. It more than doubles the capacity of the former plant, having five production lines with a much more efficient layout.

Even though the plant did not open until April, 1965, our experience with it bears out our expectations that it will substantially reduce processing costs.

Jars of macadamia nuts move through cellubander which provides plastic bands around bottle lids. They're tamper proof.

Royal Hawaiian macadamia nuts are now processed in this $400,000 factory which more than doubles old plant's capacity.

OCEANIC PROPERTIES, INC.

Oceanic Properties, Inc., the land development and management subsidiary of Castle & Cooke, sustained a small loss for the fiscal year, this after absorbing substantial start-up expenses on several of its major development projects. The year, nevertheless, was one of substantial progress for Oceanic.

Among the most significant events of the year were the acquisition of a 50 per cent joint venture interest in the development of an 11,000-acre "new town" south of San Jose, Calif., and completion of arrangements with partners necessary to begin construction of "The Financial Plaza of the Pacific," a $16-million office complex in downtown Honolulu.

The latter project involves the demolition of a whole city block now occupied by Castle & Cooke and five other property owners. Existing structures will be replaced by a 21-story Castle & Cooke tower, a second 11-story office building and a third 6-story building to become the headquarters of the Bank of Hawaii. Ownership will be on a condominium basis and much

of the floor area will be occupied by the owners. Construction will begin when necessary government approvals have been obtained. Oceanic initiated this development and manages it on a fee basis.

San Jose and the surrounding Santa Clara Valley is, percentage-wise, the fastest-growing area of California and more than half of the 11,000-acre property is already within the city limits of San Jose. The joint venturer with Oceanic is Harlan Geldermann, prominent Bay Area developer, who assembled the property. Land planning and market analysis had proceeded by the end of the fiscal year to a point where meaningful discussions with lending institutions could be initiated. While convinced that urban America will best develop through the medium of "new towns" with emphasis on good planning and perpetual preservation of open space, rather than continued urban sprawl, Oceanic is proceeding cautiously in view of the substantial sums involved and the volatility of the housing market.

State zoning approval of a second "new town" project on former pineapple lands outside Honolulu became final in July, 1964. Assembly of a staff competent

Planners gather around model of New Town/San Jose, a complete new city planned for development in Santa Clara Valley.

Bold architecture marks condominium apartments constructed at The Sea Ranch. It is "second home" development in California.

Above, country store at The Sea Ranch features Western type merchandise. That's a kayak up in the beams. Below, Sea Ranch insignia is emblazoned on restaurant. The symbol was inspired by a sea shell and a ram's horn, indigenous to the site.

to develop the physical plan required the remainder of the calendar year. While much of their effort through the spring months was devoted to engineering and related studies, a major share of their time was directed toward the problem of producing a good low-cost house in Hawaii as the market for lower income dwellings is relatively untapped in the Islands.

Also in California, The Sea Ranch, a 5,200-acre second-home development on the Sonoma County coast 112 miles north of San Francisco, was operational at the close of the fiscal year. While public interest in the project is high, success of the development in its present concept of maintaining the magnificent coastline in near-natural state through liberal preservation of beach front and open space will require a year's sales experience to assess.

The 15-story Wilshire Metropolitan Medical Center in downtown Los Angeles, developed by Oceanic with two other partners, was completed during the year ahead of schedule and below budget. While tenants began moving in early in January, the income stream at the close of the fiscal year had not built to a point where it was considered advisable to sell out Oceanic's interest, though that could have been done profitably.

The shopping center in Orange County in Southern California was delayed by legal problems but by the end of the fiscal year all leases had been approved, very satisfactory financing obtained, and it is currently under construction with a bright profitability outlook.

Mililani Memorial Park, an Oceanic subsidiary outside Honolulu, which encountered sales problems in late 1963, reversed that trend and had a very satisfactory year. The Manila Memorial Park in the Philippines, which began its sales program in the early summer of 1964, has been most successful. This success has led to the acquisition of a second property in a different quadrant of Manila. Known as Rizal Memorial Park, this new venture has received all necessary government approvals and will be open for sales before the end of 1965. Mililani has a 26 per cent interest in each of the Philippine parks and a 51 per cent interest in Trans-Pacific Development & Management Corporation which manages them under a long-term contract.

During the year two Oceanic vice presidents were elected: Donald J. O'Leary, Vice President for Pacific Coast operations, and Warren G. Haight, Vice President and Treasurer.

HAWAIIAN EQUIPMENT COMPANY

In a market that increased in competitive intensity, Hawaiian Equipment Company, Castle & Cooke's distribution division in Hawaii for trucks, tractors and other heavy equipment, reported approximately the same earnings as in the prior period.

Toward the end of the fiscal year, the market for heavy equipment associated with construction improved markedly as the volume of highway-building projects in Hawaii began to expand.

The leasing operations of this division continued active and their profitability is reaching satisfactory levels.

CASTLE & COOKE TERMINALS

The 1964-65 year was one of major adjustment for the Terminals as a result of losing the large Matson stevedoring contract which was only partially offset by gaining the stevedoring work for Isthmian-States Marine and other lines. The Matson loss required drastic reductions in the total work force, although a majority of these employees transferred to other waterfront organizations without loss of service credit.

Results for the year were satisfactory, and would have been better had it not been for the disruptions in service caused by the seven-week longshore strike on the East and Gulf coasts.

SHIP AGENCY DIVISION

The Ship Agency Division became Hawaii agents for the Isthmian and States Marine Lines at the beginning of the fiscal year, requiring the recruitment of additional personnel and establishment of an expanded organization. This development was carried out smoothly and operations during the year were profitable, although they, too, were adversely affected by the Atlantic and Gulf coast strike.

TRAVEL AGENCY DIVISION

Sales of our Travel Agency Division in Honolulu increased by two-thirds as normal business accounts increased and new tour programs were inaugurated. Major tours have been scheduled in the forthcoming year both for Island clients traveling elsewhere and overseas clients destined for Hawaii.

Castle & Cooke is agent for Isthmian and States Marine Lines. In background, harbor facilities and changing Honolulu skyline.

THAI-AMERICAN STEEL

Thai-American Steel Works Co., Ltd., of Bangkok, in which Castle & Cooke acquired a 55 per cent interest in the prior year, was established to produce primarily galvanized steel pipe for the Thailand market.

The company experienced prolonged delay in completion of its manufacturing plant, so production was not commenced until April, 1965.

President Malcolm MacNaughton visits Thai-American plant on Far East trip.

Republic Glass plant in Manila now supplies 90 percent of the Philippines' flat glass needs. Glass was formerly imported.

REPUBLIC GLASS CORPORATION

Republic Glass Corporation of Manila is the only manufacturer of flat glass in the Philippines. In 1963-64 Castle & Cooke acquired a 21 per cent interest in this efficient, modern company, and in the early part of the year just past increased that ownership to 58 per cent. Republic's earnings are consolidated with those of Castle & Cooke for the 1964-65 year.

Republic again reported good earnings for its fiscal year and made excellent progress toward expansion of its present flat glass output and of its product line. Chief among its expansion projects is the construction of a new plant to manufacture polished plate, figured and wired glass, at an estimated cost of $1,500,000. Again, this new facility will be the first and only one of its kind in the Philippines and should capture substantially all of the market for these new glass products, all of which are now imported into the country.

Fiery furnace at Republic Glass. Company plans major expansion to permit manufacture of polished plate and wired glass.

DIVISIONS OF CASTLE & COOKE, INC.:

Bumble Bee Seafoods
Dole Company
Hawaiian Equipment Company
Royal Hawaiian Macadamia Nut Company

CONSOLIDATED SUBSIDIARIES OF CASTLE & COOKE, INC.:	Shares Outstanding	Number of Shares Held	Percent of Total
Castle & Cooke Investments, Limited	75,000	75,000	100.00
Castle & Cooke Terminals, Limited	45,000	45,000	100.00
Eros Transport Co., Ltd.	2,000	2,000	100.00
Ewa Plantation Company	161,950	109,192	67.42
Honouliuli Company, Limited	18,000	18,000	100.00
Kohala Ditch Company, Limited	5,000	5,000	100.00
Kohala Sugar Company	250,000	249,676	99.87
Maryland Tuna Corp.	15,000	9,000	60.00
Mililani Memorial Park, Inc.	25,000	25,000	100.00
Oceanic Properties, Inc.	100	100	100.00
Republic Glass Corporation	68,731,853	39,889,694	58.04
Standard Fruit and Steamship Company	1,014,018	560,571	55.28
Standard Fruit Company	75,000	75,000	100.00
Trans-Pacific Development and Management Corporation	2,000	1,020	51.00
Waialua Agricultural Company, Limited	452,857	300,000	66.25

INVESTMENTS OF CASTLE & COOKE, INC. AND SUBSIDIARIES:	Shares Outstanding	Number of Shares Held	Percent of Total
Bay & River Navigation Company	17,000	2,925	17.21
California and Hawaiian Sugar Refining Corporation, Limited	151,785	23,535	15.51
Cementos de Honduras, S.A.	72,000	18,000	25.00
Compania Azucarera Chumbagua, S.A.	36,000	6,242	17.34
Corcho y Lata, C.A.	10,000	4,000	40.00
Correct Mix Concrete, Limited	1,000,000	510,000	51.00
Dole Philippines, Inc.	1,975,000	1,580,010	80.00
Euramerica Foods, S.P.A.	305,000	305,000	100.00
Excursion Inlet Packing Co.	6,000	2,000	33.33
Financeria Hondurena, S.A.	20,000	1,750	8.75
Great American Insurance Company	3,100,229	75,110	2.42
Hawaiian Hauling Service, Ltd.	12,000	4,000	33.33
Hawaiian-Philippine Company (Pfd.)	259,987	59,187	22.77
House of Investments, Inc.	668,486	129,700	19.40
Kawaihae Terminals, Inc.	20,000	11,000	55.00
Lake Anderson Corporation	500	500	100.00
Oahu Transport Company, Limited	90,000	76,500	85.00
Oceanic Properties Development Malaysia, Ltd.	1,500,000	765,000	51.00
Queen Emma Gardens Redevelopment Corp.	500,000	200,000	40.00
Thai-American Steel Works Company, Limited	200,000	110,000	55.00
United Foods, Inc.	638,000	28,940	4.54

STATEMENT OF CONSOLIDATED FINANCIAL CONDITION

	April 30 1965	April 30 1964
CURRENT ASSETS:		
Cash	$ 7,044,222	$ 4,648,220
Time deposits and marketable securities — at cost	10,082,808	1,028,380
Accounts receivable, net of reserves — 1965, $504,510; 1964, $325,949	31,198,163	20,347,268
Inventories	53,414,721	42,225,461
Prepaid expenses	3,420,734	2,289,479
Total	105,160,648	70,538,808
DEDUCT CURRENT LIABILITIES:		
Notes payable, including current instalments on long-term debt	10,433,601	4,926,463
Accounts payable	22,110,519	15,229,917
Income taxes payable	10,915,110	5,551,086
Total	43,459,230	25,707,466
WORKING CAPITAL	61,701,418	44,831,342
GROWING CROPS — At static values	5,300,000	5,300,000
INVESTMENTS:		
California and Hawaiian Sugar Refining Corporation, Limited	2,392,053	2,392,053
Investments in and advances to foreign subsidiaries	1,643,808	5,853,543
Other investments	6,297,760	6,366,059
LAND — At cost	20,319,175	20,371,335
BUILDINGS, MACHINERY, AND EQUIPMENT — At cost (less accumulated depreciation — 1965, $101,812,483; 1964, $68,883,361)	62,212,206	40,782,123
NON-CURRENT RECEIVABLES AND OTHER ASSETS — Net of reserves — 1965, $224,283; 1964, $963,290	13,910,138	4,977,089
Total	173,776,558	130,873,544
DEDUCT:		
Long-term debt	7,200,022	10,215,177
Deferred income and other credits	2,773,927	1,024,590
Deferred income taxes	5,415,583	4,561,870
Minority interests (including preferred stock of subsidiaries $12,235,595)	37,176,761	8,136,609
	52,566,293	23,938,246
NET ASSETS, REPRESENTING STOCKHOLDERS' EQUITY	$121,210,265	$106,935,298
STOCKHOLDERS' EQUITY:		
Capital stock, $10 par value:		
Authorized, 5,000,000 shares		
Issued, 1965, 2,598,899 shares; 1964, 2,360,394 shares	$ 25,988,990	$ 23,603,940
Capital in excess of par value	8,033,082	1,586,719
Capital from acquisition of subsidiaries' stock	16,687,200	16,456,269
Retained earnings	71,787,909	66,571,474
	122,497,181	108,218,402
Less treasury stock at cost — 1965, 46,400 shares; 1964, 46,300 shares	1,286,916	1,283,104
STOCKHOLDERS' EQUITY	$121,210,265	$106,935,298

See notes to financial statements.

STATEMENT OF CONSOLIDATED INCOME AND RETAINED EARNINGS

	Year Ended April 30 1965	Year Ended April 30 1964
REVENUES:		
Food products, except sugar	$136,798,066	$134,218,309
Sugar	24,488,898	29,579,153
Merchandising	9,278,469	7,428,270
Service operations, including rentals	7,999,064	10,980,931
Gain on disposal of capital assets	1,231,057	1,116,382
Dividends, interest, and other revenues	2,589,422	2,178,607
Total	182,384,976	185,501,652
COSTS AND EXPENSES:		
Cost of products sold	125,760,202	126,318,093
Selling, service, general, and administrative expenses	42,090,854	40,051,899
Total	167,851,056	166,369,992
INCOME BEFORE INCOME TAXES	14,533,920	19,131,660
INCOME TAXES	6,540,668	10,228,451
	7,993,252	8,903,209
MINORITY INTERESTS	764,522	1,102,590
	7,228,730	7,800,619
EQUITY IN NET INCOME OF STANDARD FRUIT AND STEAMSHIP COMPANY SINCE ACQUISITION	931,201	....
NET INCOME	8,159,931	7,800,619
SPECIAL ITEM — Gain on sale of Matson Navigation Company stock, less applicable income taxes	9,234,928	....
NET INCOME AND SPECIAL ITEM	17,394,859	7,800,619
RETAINED EARNINGS, BEGINNING OF YEAR	66,571,474	62,235,454
	83,966,333	70,036,073
DEDUCT DIVIDENDS:		
Cash	3,476,699	3,464,599
Stock	8,701,725	....
RETAINED EARNINGS, END OF YEAR	$ 71,787,909	$ 66,571,474

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include all significant operating subsidiary companies. Republic Glass Corporation and Standard Fruit and Steamship Company are included for the first time for the year ended April 30, 1965. The Company's investment in Republic Glass Corporation was increased to over 50% in the early part of the year, and the investment (approximately 55%) in Standard Fruit and Steamship Company was acquired later in the year. Consolidated subsidiaries and other investments are listed on page 21. The accounts of foreign subsidiaries are maintained in U. S. currency or are translated at appropriate rates of exchange.

The cost of investments in Standard Fruit and Steamship Company and Republic Glass Corporation exceeded the Company's equities in their net assets at the dates of acquisition by $3,234,367; this amount is included under the caption "Non-Current Receivables and Other Assets."

INVENTORIES

Inventories at April 30, 1965 consisted of the following:

Finished products and raw materials:	
At the lower of cost (principally average) or market	$22,009,437
At static unit values (substantially less than cost)	8,459,761
Operating supplies, generally at the lower of average cost or market	22,945,523
Total	$53,414,721

DEFERRED INCOME TAXES

Substantially all deferred income taxes at April 30, 1965 resulted from the use for tax purposes only of depreciation "Guideline" procedures and the reporting for tax purposes only of certain sales financed by long-term notes on the instalment basis. The unamortized balance of deferred investment credits at May 1, 1964, not significant in the aggregate, has been applied to the current year's provision for income taxes.

DEPRECIATION

Depreciation charged to operations amounted to $5,052,781 for the year ended April 30, 1965 and $4,969,381 for the previous year.

GROWING CROPS

Amounts under this caption represent sugar and pineapple crops stated at static values. All costs of growing these and other crops are charged to operations as incurred.

COMMITMENTS AND CONTINGENT LIABILITIES

The companies are lessees under various agreements covering operating properties. Certain of the leases provide for payment of real property taxes and additional rental based upon a percentage of revenues. Minimum annual rentals under long-term leases expiring more than three years after April 30, 1965 aggregate approximately $6,500,000.

Estimated unfunded past service and minimum benefit costs of insured employee retirement plans at April 30, 1965 were $3,230,210. These liabilities are being funded over periods of 10 to 25 years from the effective dates of the plans. The cost of the formal retirement plans for the year ended April 30, 1965 was $1,117,679, of which $945,964 was related to current service and $171,715 was applied to the unfunded commitments. Additional directly financed pension costs for the year amounted to $170,939. The amount which would be required to fund these pensions at April 30, 1965 is estimated to be $1,687,886.

At April 30, 1965 the companies were contingently liable in the amounts of $779,289 for guarantees of construction loans on bulk sugar facilities, $6,049,184 for notes discounted and mortgage loans endorsed, and $17,783,500 for guarantees of associated companies' indebtedness.

LONG-TERM DEBT

At April 30, 1965 consolidated long-term debt, less current maturities, consisted of the following:

Unsecured notes:	
4%, annual instalments of $275,000 until maturity, 1969	$1,100,000
5¼%, annual instalments of $400,000 until maturity, 1972	2,400,000
6½%, due in 1966	250,000
Other notes and contracts (land and buildings, trucks, and other equipment pledged as collateral)	3,450,022
Total	$7,200,022

STOCK OPTIONS

The company has employees' stock option plans with options becoming exercisable over five or ten year periods. A summary of the transactions during the fiscal year follows:

Shares under option at May 1, 1964	68,626
Additions under 1963 plan approved by stockholders in 1964	50,000
Options exercised	(6,459)
Options cancelled	(3,188)
	108,979
Stock dividend — 10%	10,898
Shares under option at April 30, 1965	119,877

No additional shares are available for option under any of the plans.

RETAINED EARNINGS RESTRICTION

Under the terms of loan and guarantee agreements, the Company's consolidated retained earnings are restricted as to the payment of cash dividends. At April 30, 1965, under the most restrictive provision, $13,690,000 was available for dividends.

CAPITAL IN EXCESS OF PAR VALUE

Balance at May 1, 1964	$1,586,719
Excess of market value over par value of shares issued:	
Employee stock option plans	65,098
Stock dividend — 10%	6,381,265
Balance at April 30, 1965	$8,033,082

Castle & Cooke directors and management personnel make inspections of new projects. Here they examine The Sea Ranch.

AUDITORS' REPORT

To the Stockholders of Castle & Cooke, Inc.:

We have examined the financial statements of Castle & Cooke, Inc. and its consolidated subsidiaries except Standard Fruit and Steamship Company and the latter's subsidiaries for the year ended April 30, 1965. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. As to Standard Fruit and Steamship Company and its subsidiaries, whose assets and net income constitute approximately 23% and 11% of the respective consolidated totals, we were furnished with the report of other accountants on their examination of the consolidated financial statements of those companies.

In our opinion, based on our examination and the report of other accountants referred to above, the accompanying statements of consolidated financial condition and consolidated income and retained earnings present fairly the financial position of Castle & Cooke, Inc. and its consolidated subsidiaries at April 30, 1965 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

HASKINS & SELLS
Certified Public Accountants

Honolulu, Hawaii
June 30, 1965

CASTLE & COOKE, INC.
130 Merchant Street, Honolulu, Hawaii 96802

AUDITOR

Haskins & Sells, Honolulu

STOCK TRANSFER AGENTS

Hawaiian Trust Company, Limited, Honolulu
Wells Fargo Bank, San Francisco
Morgan Guaranty Trust Company, New York

REGISTRARS

Bishop Trust Company, Limited, Honolulu
Bank of America, N. T. & S. A., San Francisco
Bankers Trust Company, New York